

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 116**

January 14, 2021

**SUMMARY OF BILL:** Establishes that legal service plans entered into by a person and certain intermediary organizations are not considered legal insurance under the *Tennessee Legal Insurance Act*.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue - \$19,200/FY21-22 and Subsequent Years**

Assumptions:

- Pursuant to Tenn. Code Ann. § 56-43-104, a person must obtain a certificate of authority, through the Department of Commerce and Insurance (DCI), to provide legal insurance in this state.
- Passage of the proposed legislation will exempt from the requirement to obtain a certificate of authority persons who provide fee for service plans where an intermediary organization contracts with local attorneys to provide the specified services but does not assume any risk or obligation to reimburse for any expenses under the plan.
- According to the DCI, there is currently only one organization that provides these plans and will no longer be required to obtain a certificate of authority.
- Certificates of authority are subject to an annual statement filing fee, submitted to DCI, of \$515, pursuant to Tenn. Code Ann. § 56-4-101(a)(4).
- A recurring decrease in revenue to DCI of \$515.
- Pursuant to Tenn. Code Ann. § 56-43-116, legal insurance premiums are taxed at two and a half percent.
- According to DCI, the current certificate holder paid \$18,713 in premium tax in FY19-20.
- A recurring decrease in state revenue of \$18,713.
- A total recurring decrease in state revenue of \$19,228 (\$18,713 + \$515), beginning in FY21-22.

## **IMPACT TO COMMERCE:**

### **Decrease Business Expenditures - \$19,200/FY21-22 and Subsequent Years**

#### Assumptions:

- The proposed legislation will exempt one current organization from retaining a certificate of authority with DCI and paying a tax on legal insurance premiums.
- A recurring decrease in business expenditures of \$19,228.
- No significant impact to jobs or commerce in Tennessee.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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